Secdt. H-27—95,006 31 10 50.

P. Hr

(1952) Department.

MS SERIES.

G.O. NO. 45-71	Closed
Dated 10-11-52	

[Despatch Abstract.]

Electricity - Mangalore Electrical Undertaking - Redemption of Mortgage debentures - Creation of Sinking Fund out of profits - Request negatived - Papers recorded

THE MANGALORE ELECTRIC SUPPLY CO., LTD.

Form No. 33a.

Managing Agents,
OCTAVIUS STEEL & CO., LTD.

GRAMS : "LAPIZANDO, CALCUTTA."
Phone No. City 1146 (2 Lines)

POST BOX No. 55
14, OLD COURT HOUSE STREET,
Calcutta 1, 29th July, *195* 2

Ref. No. MAN-A.C

REGTD.

The Secretary to Government,
Public Works Department,
Government of Madras,
Madras.

SECRET. SECRETARY TO GOVERNMENT
3 JUL 1952
PUBLIC WORKS DEPARTMENT

63421

Dear Sir,

275 - 5% Mortgage Debentures - Rs.1,37,500/-

We have to inform you that the Company's loan in respect of 275 - 5% Mortgage Debentures of Rs 500/- each, amounting to Rs.1,37,500/-, is repayable on 31st March 1955.

We shall be obliged if you will grant us permission under clause XVII(2)(c)(6) of the 6th Schedule to the Electricity (Supply) Act 1948 to make special appropriations out of profits, as from the year ended 31st March 1952, for the purpose of creating a Sinking Fund for the redemption of the above loan. Necessary particulars regarding the loan are noted hereunder:

In accordance with the Madras Government's Sanction/G.O. No. 2875W dated 28th December 1934, a mortgage loan secured by assets of the Company amounting to Rs.2,75,000/- was raised on 1st April 1935 through the issue of 550, 5% Mortgage Debentures of Rs 500/- each. Out of this 275 Debentures amounting to Rs.1,37,500/-were repaid on 23rd October 1945, and the balance, as mentioned above, are repayable on 31st March 1955.

Yours faithfully,
OCTAVIUS STEEL & CO. LTD.

BLM

DIRECTOR.
MANAGING AGENTS.

Encls 23/4/52 Bnk 63421 P/12-1 P.C.(P2) 31-8-52.

D.Rec'd (with Cos above) 1-8-52 Referred to the C.E.-I for remarks thro the Secy. 1.8.52

1.8.52

S.E. 46/1378

Office of the Chief Electrical Inspector to Government.
DEPARTMENT.
3516 (P) 52 Branch.
3/08757 Mount Rd Mines.
C. No. E 8274

REMINDER.

To The Chief Electrical Inspector to Govt

I am directed to invite attention to Govt Order
~~Invite~~

No 63424/52-1.P.W., dated 1.8.52 and Blanks

~~to request that the reply to it may be expedited~~

request that this reminder may be returned ~~at once~~ with information as to—

(1) the stage at which the matter now is,

(2) the date by which a reply may be expected, and

(3) the ~~circumstances which have caused the~~ delay

P. W. Seale
Officer
for Sr Govt Analyst
Station
6.9.52
Dated

M. Hamilton
Signature. 6.9.52
for Assistant Secretary to Govt
Designation.

SUBJECT.

Elecy - request from the Mangalore Electric Supply Co. Ltd - for permission under clause XVII (2) (c) (6) of the 6th Schedule to the Elecy (Supply) Act 1948. -

[P.T.O.

No. 3916 Accts/52-F 4 1.3-$ C.F.S.2

REPLY.

To The Secretary to Government
Public Works Department
Madras

77783

SECRETARIAT
16 SEP 1952
PUBLIC WORKS DEPARTMENT

The subject is under disposal and my remarks will be submitted to Government through the Chief Engineer for Electricity shortly.

C. N. Lakshmanan
For Chief Electrical Inspector to Government.

12/9

P. W(P2)

AR till 15.X.52

16.9.52

17.9.52

ELECTRICITY DEPARTMENT.

From
SRI K.V.KARANTHA, M.A., M.I.E.,
Chief Electrical Inspector to Govt.,
157, Mount Road, Madras-2.

To
The Secretary to Government,
Public Works Department,
Fort St. George, Madras-9.

Through:
The Chief Engineer for Electricity,
157, Mount Road, Madras-2.

Letter No.3550-Accts/52-2 dated 17-9-52.

Sir,

Sub: Mangalore Electrical Undertaking - 275- 5% Mortgage Debentures - Creation of a sinking fund - Remarks.
Ref: Public Works Endt.No.63421-P/52-1 dated 1-8-1952.

--:--

The following remarks are submitted on the above.

2. In G.O.No.Ms.2825 W, P.W.D. dated 28-12-1934 the Mangalore Electric Licensee, was permitted by Government to issue mortgage debentures for Rs.2.75 Lakhs, for the purpose of liquidating debts and financing extensions. Out of this, 275 debentures amounting to Rs.1,37,000 were repaid on 23-10-1945, and the balance is redeemable on 31-3-1955. The licensee has requested the permission of Government under Clause XVII(2)(c)(vi) of the VI.Schedule to the Electricity (Supply) Act, 1948 to make special appropriations out of profits as from the year ended 31st March 1952, for creating a sinking fund for the redemption of the debentures on 31-3-1955.

3. A copy of the executed debenture trust deed was called for by this office and perused. It is seen therefrom that there is no stipulation with regard to the creation of a Sinking Fund for the redemption of the debentures. The capital receipts of the Mangalore Electrical Undertaking including debentures as on 31-3-1951 is Rs.7,25,273-1-5 whereas the capital expenditure for the same period was Rs.15,67,340-10-5. It is assumed therefore that the entire debentures amount of Rs.2.75 lakhs would have been utilised for capital expenditure. I am not in favour of complying with the licensee's request for the following reasons:--

Since the debentures have been utilised for capital expenditure, the licensee gets a proportionate increased gross revenue out of which he can easily make provision for depreciation, and meets the cost of maintenance and the annual interest charges on debentures. If the debentures are long term ones they can then be repaid by the accumulating depreciation funds and no special additional burden falls on consumers in the matter of repayment. If on the other hand the licensee is permitted to set apart from the profits (say Rs.34,375/- annually for a period of 4 years as per his proposal to Government) as a special appropriation, this burden would entirely fall on the consumers by way of increased tariff or atleast partial non-reductions where done, as the clear profit of the licensee will be determined only after taking into account this special appropriation also. Consequent to the rise in the cost of fuel oil, the licensee has already recently increased his rates (mostly applicable to industrial consumers) with effect from 1-4-1952 and representations against this increase have been received from industrialists. These are dealt with separately.

13 OCT 1952 PUBLIC WORKS DEPARTMENT

this extra provision by way of special appropriation from the gross revenue before arriving at the net annual profit would mean a further burden that the consumers will have to bear. If the debentures are wiped out in the manner suggested, at the expense of the consumers, it will be sure that the licensee will continue to get the benefit of higher profits, since his capital base will continue to be high. Apart from this effect, Government would also have to pay a greater amount of compensation, than what they would pay now. If the licensee's proposal is agreed to, since this licensee is likely to elect basis 'A' and the higher profits thus earned will get itself ~~multiplied~~ multiplied by 20 times for purposes of compensation.

4. If however, the licensee is willing to meet this special appropriation from his reasonable return there appears to be no objection.

Yours faithfully,

Ad/17-9-52. CHIEF ELECTRICAL INSPECTOR TO GOVERNMENT.

Copy to:

The Chief Engineer for Electricity, Madras-2.

Office of the Chief Engineer for Electricity, 157, Mount Road, Madras.

Endorsement No.2161-M/52-1 dated 7-10-52.

Forwarded to the Secretary to Government, Public Works Department.

2. I agree with the recommendations of the Chief Electrical Inspector to Government.

For Chief Engineer for Electricity.

To

The Secretary to Government,
Public Works Department, Madras.

P.W(P2) Dept

Letter 63421-P/52-3 dt 8.11.52

20.

The Manager.

The Mangalore Electric Supply Co. Ltd.
P.O. Box 55, 14, Old Court House Street
Calcutta!

Gentlemen,

Electricity - Mangalore Electrical undertaking - Redemption of mortgage debentures - Creation of a Sinking Fund.
Ref. your letter No. MAN/AC dt 29-7-52

I am directed to state that the Govt. are not prepared to agree ~~decline to comply with the request upon~~ to making special appropriations out of profits for the purpose of creating a Sinking Fund for the redemption of the mortgage loan. ~~Sanctioning the Co. ... dt 22-5-52~~ They have, however, no objection to the creation of the Sinking Fund. Of the special appropriation

P.C.F.

K on p 27 CF
Para 2, p 1 CF

P. 28-30 (3)
Para 4, p 6 CF

2/ is ~~be~~ met from your "reasonable return".

~~[illegible] of [illegible]~~

29.10.52

27/10/52

28.10.52

31.10.52

Pl. Lt. Pkt. F

Copy to the C.E.I.R. w.r.t. this No
5 CF 3550 Accts/52-2 dt 17.9.52

Copy to the C.E. (I) w.r.t. this No.
6 CF 2161 M/52-1 dt 7.10.52

Form No. 33a

THE MANGALORE ELECTRIC SUPPLY CO., LTD.

POST BOX No. 55

14, OLD COURT HOUSE STREET,

Managing Agents :

OCTAVIUS STEEL & CO., LTD.

GRAMS: "LAPIZANDO, CALCUTTA."
Phone No. City 1146 (2 Lines)

Calcutta 1, 10th Novr. *1952.*

Ref. No. MAN/A/c.

REGTD.
AIR MAIL.

19 NOV 1952
196135
PUBLIC WORKS DEPARTMENT

The Secretary to Government,
Public Works Department
Govt. of Madras,
Madras.

Dear Sir,

275 - 5% Mortgage Debentures
Rs. 1,37,500.

We beg to refer you to our letter No. Man.A/c. 69 dated 29-7-52 and shall be obliged if you will grant us your permission to make special appropriations out of Profits, as from the year ended 31st March 1953, for the purpose of creating a Sinking Fund for the redemption of the above Loan.

An early reply on this matter is ~~urgently~~ awaited.

Yours faithfully,
OCTAVIUS STEEL & CO. LTD.

MANAGING DIRECTOR.
MANAGING AGENTS.

Orders have just issued in the matter in Lr. No. 63621 f/52-3 PW dt 8.11.52. May be filed.

BLM 14.11.52

13.11.52

17.11.52

Electricity - Mangalore Electrical

Redemption of mortgage debentures - Creation of Sinking Fund.

Read.- From the Mangalore Electric Supply Co.Ltd. letter No.MAN.A.c. dated 29.7.52.

From the C.E.I.G. letter No.3550-Accts.52-2 dated 17.9.52.

From the C.E.(E) Endtt. No. 2161-M.52-1 dated 7.10.52

The file relates to a request from the Mangalore Electrical licensee for permission of the Govt. under the Electricity (Supply) Act, 1948, to make special appropriations out of profits for creating a Sinking Fund for the redemption of debentures (amounting to Rs 1,37,500 repayable on 31.3.55) for Rs.2.75 lakhs debentures was permitted in G.O.No.Ms.2825-W., dated 28.12.34, for the purpose of liquidating debts and financing extensions. (Debentures amounting to Rs.1,37,500 were repaid on 23.10.45 and the balance Rs 1,37,500 is repayable on 31.3.55.) The C.E.I.G. says that there is no stipulation in the Trust Deed with regard to the creation of a Sinking Fund for the redemption of the debentures and assumes that the entire debentures amount of Rs.2,75,000 would have been utilised for Capital expenditure. The C.E.I.G. and the C.E.(E) do not recommend the request of the licensee for the reasons stated at 'A' on pp.5-6 CF. They consider that the permission asked for may, however, be granted if the licensee is willing to meet the special appropriation from his reasonable return. The recommendation may be accepted and the licensee informed accordingly ~~The case is submitted for orders.~~ Draft letter Sorted. (The question whether the undertaking of the Mangalore licensee may be acquired by the Govt in 1951-53 is depending under consideration). Fin. may see ~~for remarks~~.

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
1-NOV 1952
FINANCE DEPARTMENT

27.10.52 28.10.52 29.10.52 31.10.52

P.W. (L.O. 63421-P/52-1
31.10.52

Fin (PWR)

The note of PWD on plants and the draft letter below may be perused.

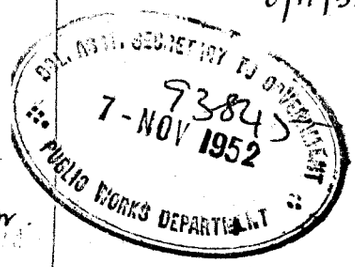
4/11/52 5.11.52

6.11.52.

Thr Dept

9384

Fin Do No 80757 PWR/52-1.
6/11/52



P.Tr. (P2) Depn.

Please see this note above.
The draft letter below may issue.
After issue, the papers may be recorded as:-

G.O. No. Ms. 4571 dt 10.11.52

8.11.52

Electricity - Mangalore Electrical undertaking - Redemption of mortgage debentures - Creation of Sinking Fund out of profits - Request negatived - Papers recorded.

8/11/52 8.11.52